ಮಾನ್ಯ ಅರ್ಥ ಸಚಿವರ ಆಯವ್ಯಯದ ಭಾಷಣದ ಆಂಗ್ಲ ಭಾಷಾಂತರ

**Hon'ble Speaker,**

1. I rise to present the Budget for the year 1997-98.

2. The winds of change have swept across our nation in the past year. In June 1996 a coalition Government was installed at the Centre. The United Front Government of which the Janatha Dal is a major constitutent, is truly federal in character. It has in its midst parties with a national presence as well as strong regional parties. The United Front Government has thus inspired and articulated a shared vision of the future in a spirit of co-operation among the States.

3. No less significant is the fact that Shri H.D. Devegowda is today the Prime Minister of the country. It a matter of pride to all of us in Karnataka that Shri H.D. Devegowda, who had provided leadership to the State as Chief Minister till last year is today at the helm of affairs at the Centre. That a man from a simple farming background has gradually risen to become the Prime Minister of this great country is a vindication of the vibrancy of our democracy. More important is the fact that it has signalled a paradigm shift in the development process. The concerns of the common man are once again at centre-stage.

4. It is perhaps appropriate that these significant changes have occurred in the 50th year of our Independence. While we have achieved rapid progress in these 50 years, it is also an occasion for us to pause and ponder over the challenges that lie ahead. It is appropriate to recall the concept of Independent India that Mahatma Gandhi had visualised - of a nation which will provide for the basic needs of all its people.

5. This vision of Bapuji is yet to be fully accomplished. Millions of our people, less fortunate, continue to remain at the margin of our market economy. They are yet to become equal partners in progress.

6. It is in this background that we welcome the initiative of the United Front Government in introducing the programme of basic minimum services focussing attention on primary education, primary

health, drinking water, rural housing, rural roads etc. These are the key challenges facing the country and indeed are the concerns that are central to our Government's policies.

7. The 1997-98 Union Budget presented by the Finance Minister has inspired hope in all walks of life across the Country. It is a major step forward in the process of reform and will be a catalyst for rapid growth, expanding employment and promoting investment. However, while economic growth is a necessary condition for human development, in a country where a vast majority are poor, it is not a sufficient condition unless Government's economic policy addresses the problems of distribution also. The outlays in the Central Budget on the social sectors, particularly in the fields of education, food and nutrition, health and rural infrastructure may not prove to be adequate to fill the gaps in these areas. While the Centre has done what it can, the State Government will have to continue to deploy larger resources in these sectors.

8. I compliment the United Front Government for introducing the Accelerated Irrigation Benefit Programme (AIBP) and for strengthening the Rural Infrastructure Development Fund (RIDF) of which the Farming Community and the Rural Sector have been the direct beneficiaries. The utilisation of assistance under thse schemes by State Government has, however, been slow on account of various conditionalities. Since both the programmes are loan based, I would appeal to the Union Government to relax the conditionalities including the requirement of matching contributions from the State Government.

**CENTRE STATE FINANCIAL RELATIONS**

9. Of particular interest to us is the approach of the Central Government to devolution of resources to the States. It is heartening that Government of India has accepted the recommendation of the Tenth Finance Commission to form a single, divisible pool of taxes to be shared between the Centre and the States. What is of essence, however, is the sharing formula. Our view was, and remains, that at least 40% of this single divisible pool of taxes should devolve to the States. The Finance Minister's decision to adopt the Tenth Finance

Commission's recommended ratio of 29% provides some relief by way of a marginal increase in the share of the States. I would urge the Government of India to re-examine the question in consultation with the State Governments to arrive at a consensus to enhance the share of the States suitably. In this context, I welcome the Union Finance Minister's willingness to discuss the matter further before formulation the Constitution Amendment Bill.

10. While the Basic Minimum Programme provides an additionality, the United Central Plan Assistance has remained constant for two years. It is essential that the normal Central Plan Assistance grows at the rate of at least 15%-16% per annum in keeping with the average growth rate of the centre's revenues.

11. It may be recalled that the National Development Council had taken a decision to transfer the Centrally Sponsored Schemes to the States along with the resources. At least 80% of the funds currently being given to the States for the CSS should be transferred to the States in the form of grants.

12. Another area of concern has been the growing debt burden of the State Governments, despite the debt relief scheme for the States linked to their fiscal performance recommended by the Tenth Finance Commission. The Centre can mitigate the debt burden of the States by modifying the pattern of Central Plan Assistance, which at present, is in the form of loans and grants in the ration of 70:30. This ratio is to be changed to 50:50. This is all the more necessary since the revenue component of plan expenditure of most of the States is now close to 50% compared to about 30% in yester years.

13. A significant feature of the Indian Economy has been the consistent performance of the services sector. Over the Eighth Plan period, the services sector grew at an average real growth rate of 7.3% and at present contributes nearly 40% to the GDP. Recognising this, the Centre, introduced tax on certain services. In this year's budget the Central Government has extended the service tax to cover a number of other services as a source of additional revenue. The States must be enabled to levy tax on certain services which are more in the

domain of the States. This is a subject which needs to be discussed in the National Development Council. If State Governments are to gradually move towards Value Added Taxation, it is important that the States are permitted to tax the value addition in the services sector also.

14. Finally, I must dwell briefly on market borrowings by State Governments to augment their resources. The Planning Commission determines the Open Market Borrowing limit of the State Governments. At present, this is not based on any objective criteria. The State Government would suggest that this ceiling should be linked to the financial health and debt servicing ability of the States. This would be an incentive to States to adopt **'best practice management'** of public finance.

**STATE FINANCE COMMISSION**

15. The final report of the State Finance Commission (SFC) has been received. The recommendation of the SFC to devolve 36% of the State's Non Loan Own Gross Revenues to Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) has been accepted. We propose to give effect to the new devolution scheme from 1.4.1997. However, the recommended 85:15 ratio of allocation between PRIs and ULBs will be achieved over the next 5 years.

16. While these steps will considerably improve the resource position of the local bodies, specially the urban bodies, over the next five years, there is emergent need for these urban bodies to be more self-reliant by redesigning property taxes, collecting more realistic user charges and tapping other sources of revenue under their control.

**EIGHTH PLAN PERIOD-PROGRESS AND PROBLEMS**

17. In the year 1997-98 we will be embarking on the Ninth Five Year Plan. This is the time to review the progress that we have made in the last five years, specially in the matter of improving the quality of life of the people. Quality of life is essentially determined by basic parameters such as life expectancy, infant mortality, adult literacy, school enrollment, per capita income etc.

18. In Karnataka, male life expectancy went up from 62 years to 64 years and female life expectancy from 63 years to 65 years between 1991-96. Infant mortality fell from 77 per thousand in 1991 to 62 per thousand in 1996. Adult literacy is estimated to have gone up from 56.04% in 1991 to 63.42% in 1996. The number of children enrolled in secondary schools went up from 10.5 lakhs in 1991 to 14.6 lakhs in 1996. The per capita income which was Rs. 2272 in 1992-93 is anticipated to be Rs. 2669 in 1996-97.

19. The commitment of our Government to providing basic elementary education is evident from the fact that out of 57000 primary school teachers appointed during the Eighth Plan Period over 26500 have been appointed by our Government in the last two years. Similarly, 2137 new lower primary schools and 2306 upper primary schools have been opened in the last two years. A record 12900 classrooms have been constructed during the last two years.

20. During the Ninth Plan, we hope to achieve 100 per cent enrollment of children between the age of 6 and 14 and 90 percent attendance. To achieve this the Government will provide four teachers in every lower primary school and six for every upper primary schools and one classroom per teacher in all primary schools.

21. Similarly, the Government has also paid attention to the goal of Health for all. In the last two years, more than 100 primary health centres and 300 sub-centres have been opened. Around 2500 Doctors have been appointed by the Government in taluka and rural hospitals to extend medical facilities to the entire population.

22. Clearly Karnataka has consolidated its position in providing a better quality of life to its peopole. This is a direct result of our Government's policy of substantially enhancing expenditure in the soical sector. In the last two years, expenditure on drinking water and sanitation increased from Rs. 176 crores to Rs. 240 crores, on Health and Family welfare from Rs. 385 crores to Rs. 481 crores and on education from Rs. 1375 crores to Rs. 1826 crores.

23. This is not to say that the State is without problems. Two key challenges to our economic policy and fiscal management need to be recognised urgently. The first is the infrastructure sector comprising power, transport and communication and civic services. Inadequate and unreliable power supply today constitutes a major threat to the development of the State. Lack of adequate transportation facilities and poorly maintained roads constitute a major bottle neck for the growth of the economy. Poor sanitation and sewerage services in our cities and towns are matters of serious concern.

24. The second major problem has been that Government expenditure on salaries, pensions, grant-in-aid and subsidies has been growing rapidly. This expenditure is increasing eroding resources available for infrastructure and other development activities. Government expenditure on salaries and pensions, grant-in-aid and subsidies as a percentage of the State's revenue grew from 51% to 68% during the period 1990-91 to 1996-97. Correspondingly the balance of revenues available for other development activities fell sharply from 49% to 32%.

25. This is not to say that salaries are entirely in the nature of non development expenditure. A large part of the Government's wage bill is accounted for by salaries of school teachers, doctors and para medical staff. It would not be out of place to note that out of approximately 5,98,000 Government employees, around 1,72,000 are teachers and about 69,000 are in the health sector. Nevertheless, there is an urgent need to reduce the burden of wages and salaries on non-essential staff and to minimise the expenditure on subsidies and grants-in-aid for less deserving causes.

26. As a first step therefore, it has been decided to reduce the number of Government posts by 5%. A Cabinet Sub-committee is already engaged in this exercise and we hope to give effect to this reduction in the near future. At this juncture, I may mention that a reference has been made in the Central Budget to the recommendations of the Fifth Central Pay Commission. The recommendations, if accepted by the Central Government, though not having a direct and

immediate impact, will have a bearing on the State Government's finances. I would therefore request the Central Government to discuss the recommendations with the State Governments before they are accepted.

27. Similarly, we need to take a hard look at the State public sector enterprises. The total investment in the 76 public sector enterprises in the State as at the end of 1994-95 was over Rs. 9000 crores. Of this, over Rs. 4100 crore has been contributed by the Government by way of share capital and loans. A large part of the investment has been made out of borrowed funds on which Government pays an average interest of 12%. As against this, the return on capital employed is a negligible 0.82%. Most of our public sector enterprises are loss making. If one were to exclude public sector undertakings such as HGML, KSSIDC and KSFC which earn real profits, the return on capital employed in the public sector would in fact be negative. The accumulated losses in 44 enterprises aggregated to Rs. 994 crores as at the end of March, 1995. In respect of 21 enterprises, accumulated loss exceeded their networth representing share capital, reserves and surplus.

28. Without doubt drastic action is required on this front. The high costs of running public sector enterprises and the near negative returns on investment are a major drain on the State's resources. While it might be necessary for Government to continue managing the public utilities for some more time, there is no rationale for Government to continue in the business of manufacturing consumer articles and not so critical capital goods. The Government. therefore, proposes to take-up dis-investment of public sector undertakings in the current year. A time bound action plan in this direction will be finalised by the departments concerned.

29. In the Energy Sector, the Government is committed to introducing extensive reforms. We have already adopted a policy which inter-alia envisages corporatisation of the KEB, promoting private investment and the setting up of tariff regulatory body. Meanwhile, a Cabinet Sub-Committee is examining the question of

improving the performance of the KEB. Steps have been taken to undertake energy audit to improve the financial position of the KEB.

30. The State has till date invested about Rs. 7000 crores in the Irrigation Sector. While this has increased the potential created for Irrigation, it has caused strain on the State's resources. The State has through the Krishna Bhagya Jal Nigam Limited raised Rs. 689 crores in the past two years from the Capital Market at a fairly high rate of interest. The consequent debt servicing burden casts an added responsibility on the State. In this scenario atleast the operation and maintenance expenditure for Irrigation Projects will have to be recovered by levying realistic user charges. We will take steps in this direction during the year.

31. A major off-budget burden on the State's finances is the guarantee extended by the State Government for the borrowings of Government Boards / Corporations / Companies, Co-operative Institutions etc., It is necessary that norms of financial prudence and discipline are extended to regulate these contingent liabilities. The State Government will, therefore, introduce Legislation governing the norms of Government guarantee as well as its ceiling.

**FINANCES OF THE STATE GOVERNMENT**

32. Our Government has maintained financial stability. The State's own resources have grown at an average rate of 16% in the last five years. Debt servicing as a percentage of revenue receipts at around 15% is much lower than the national average. Karnataka is one of the few states in the country with a consistently positive balance from current revenue throughout the Eighth plan period. The State is now regarded even by international funding agencies as one of the states in the country whose finances are robust.

**KARNATAKA'S ECONOMY 1996-97**

33. The performance of the State's Economy has been good during the current year. The Gross State Domestic Product (GSDP) is expected to grow at 5.8% this year as against 5.6% in 1995-96. the performance of industry was encouraging with a growth rate of 8.7%. The Agriculture Sector also did well registering a growth rate of 3.7%.

**ANNUAL PLAN 1996-97**

34. As the Members are aware, the State Govt. had estimated a Plan Outlay of Rs. 4360 cr. for the financial year 96-97. Out of this, the State Budgetary Support was Rs. 3359.45 cr. and the Internal & Extra-Budgetary Resources of important public sector undertakings like Karnataka Electricity Board, Karnataka Power Corporation, Krishna Bhagya Jala Nigam Ltd. etc., was Rs. 1000.55 cr.

35. On the other hand, the State Government had to provide increased budgetary support by way of subsidies to energy and transport sectors. The cash support to Karnataka Electricity Board on the non-plan account is expected to go up from the budgeted figure of Rs 186.35 crores to Rs. 471 crores.

36. There was a shortfall in fully utilising the reimbursement available on account of Externally Aided Projects. Against the expected utilisation of external aid of Rs. 435 croers, the revised estimate is only Rs. 262.55 crores.

37. Mainly due to a slump in the property prices in and around Bangalore, there was also a shortfall in the collection of Stamps and Registration to the extent of about Rs. 140 crore.

38. As a result of the above factors, the State Government had to bring down the Plan outlay to Rs. 3700 crores against budgeted Plan outlay of Rs. 4360 crores. The state budgetary support which was estimated to be Rs. 3359.45 crores has been revised downwards to Rs. 2751.96 crores.

**ANNUAL PLAN 1997-98**

39. The Annual Plan 1997-98 is the first year of the Ninth Five Year Plan. As a full plan period has been completed an exercise has been undertaken to identify those schemes which have either become redundant or have outlived their utility. As a result of this comprehensive exercise, 97 schemes were either dropped or merged with the other schemes. The other exercise undertaken was of identifying committed expenditure. The salary and maintenance components of the State and District Plan schemes implemented

during the 8th Five Year Plan have been identified and transferred as committed non-plan expenditure. To this extent the flexibility to implement schemes on the plan side stands enhanced. Particularly, in the District sector, there will be much greater flexibility.

40. The Annual Plan of the State was discussed with the Planning Commission, which approved a Plan outlay of Rs. 4130 crores. Considering the additional requirements of various departments the plan outlay has been fixed at Rs. 4545 crores with a state budgetary support of Rs. 3064.45 crores and internal & extra budgetary resources component of Rs. 1480.44 crores. The District Sector Plan size will of the order of Rs. 732 crores.

**INFRASTRUCTURE**

41. Karnataka, particularly, Bangalore, has in recent years, emerged as one of the important destinations for industry both from home and abroad. Cities like Mysore, Hassan, Mangalore, Hubli-Dharwad, Belgaum and Gulbarga are also emerging as important industrial and trade centres. I would like to take this opportunity to emphasise the commitment of the Government of Karnataka to continue to provide an investor-friendly environment in the State.

42. The India Infrastructure Report released recently has identified key areas where Government's intervention is required to promote private investment in infrastructure. Broadly in keeping with the recommendations in the report, the State Government is taking steps to bring in reforms in administration of Stamps Act and Registration Act, which would include substantially reduced rates for securitisation of debt. I shall revert to this subject later. The other fiscal issues dealt with in the report pertain to state taxes like works contract tax, sales tax on operational cost inputs etc. The State Government has already granted such concessions to the Singapore Technology Park. The Government will consider extending suitable tax concessions to other infrastructure projects also.

43. Members will agree with me that the Road network of the State is in urgent need of maintenance and upgradation. The State Government has increased the allocation for maintenance of Roads

by Rs. 40 crores for the year 1997-98 and is committed to achieve the financial norms laid down by the Tenth Finance Commission for maintenance of Roads by the year 1999-2000.

44. Apart from this, I propose to set up a "Road Fund", the corpus of which will be dedication to the upgradation and development of the road network in the State. In addition, the road fund will also be used to promote increased investments in the road sector. To establish the corpus of the Road Fund, the Government will take steps to levy cess on royalty charged on Granite, Iron Ore and limestone. The Road Fund will be administered by committees at the State and District levels. It is hoped that the Committees will ensure that roads of economic importance are prioritised and resources of the Road Fund are deployed effectively.

45. Airports and ports are essential infrastructure for the growth of industry and trade. I have provided Rs. 10 crores towards land acquisition costs for development of Airports in important centres in the State. In order to take full advantage of the coast line, the State Government has announced the Port Policy and also invited offers from private sector to develop Minor Ports in the State. Karnataka State Industrial Investment & Development Corporation Limited (KSIIDC), which is a Nodal Agency has invited offers globally on behalf of the State Government. Presently, three ports are proposed for development viz., Karwar, Belikere and Old Mangalore Port. Offers received are very encouraging.

**COMMEMORATION OF 50TH ANNIVERSARY OF INDEPENDENCE**

46. The 50th year of our Independence is an occasion to recall the tremendous sacrifice made by all those who fought for the country's freedom. As a gesture of gratitude, I am happy to announce an increase in the State pension given to freedom fighters from Rs. 500/- per month to Rs. 750/- per month.

47. The State Government has decided to increase the old age pension as well as pension paid to physically handicapped persons and destitute widows from Rs. 75/- per month to Rs. 100 per month.

48. To commemorate the 50th Anniversary of our Independence, two schemes directly benefitting the rural population of our State are being launched. The first, is a scheme to open four thousand new primary schools in the State. This will include two thousand new lower primary schools covering all habitations which at present do not have a primary school. In addition, we will also open two thousand new upper primary schools. This will ensure that all children will have access to an upper primary school within walking distance.

49. The other scheme is to construct roads to connect all villages in the State which have remained unconnected till date. Both schemes will be completed by 15th August, 1998.

50. Karnataka has produced several freedom fighters of eminence. The State was also in the fore front of the freedom struggle and was witness to several historic events of struggle in various parts of the State. It has therefore been decided to construct Swatantra Smaraka Bhavans in those places associated with the freedom struggle in the State.

51. A lumpsum provision of Rs. 2.5 crores for celebration of 50th Independence Day Anniversary at Bangalore and other districts has been made.

52. In all, about Rs. 60 crores has been set apart in 1997-98 budget for fulfilling these commitments.

**RURAL DEVELOPMENT**

**RURAL WATER SUPPLY AND SANITATION**

53. During the Eighth Plan period 23,884 borewells with handpumps, 5,371 Mini Water Supply schemes and 3,976 Piped Water Supply Schemes have been implemented. The Rural Water Supply Programme has been and would continue to be a priority during the Ninth Five Year Plan. It is important for us to utilise the external aid available for upgrading the level of availability of drinking water in rural areas. Some of the teething problems in the implementation of the three Externally aided projects have been addressed and we are confident of completing the projects early.

54. There has been spectacular achievement by our Government in the field of Rural Sanitation especially in the area of construction of rural household latrines. More than 2,70,000 latrines have already been constructed till the end of January 1997 under the Nirmala Gram Yojane.

**POVERTY ALLEVIATION**

55. During the VIII Five Year 5.52 lakh households have been provided loan and subsidy assistance of Rs. 201.76 crores under IRDP. The IRDP now has been extended to the literate unemployed youth in the rural areas. Some other welcome changes have also been introduced. The ceiling for infrastructure creation has been increased from 10 to 20% of the outlay. The target oriented approach has been replaced by an emphasis on credit mobilisation and per capita investment. There is now a greater emphasis on the formation of self help groups of poor households who would jointly monitor utilisation and repayment of loans. With these changes the programme quality is likely to improve substantially. A provision of Rs. 36.38 crores has been made for the year 1997-98 as State's contribution to this programme.

**RURAL YOUTH**

56. To focus on the educated umemployed youth in the rural areas the State has launched a new programme called 'SWALAMBANA' to be implemented in 4 pilot districts viz. Gulbarga, Tumkur, Mysore and Dharwad on a pilot basis. Under this scheme selected educated youth will be given intensive quality training with the help of reputed training institutions interalia with a view to obtaining loans from financial institutions and setting up independent ventures. In the first year the Government proposes to train 5000 candidates for which a provision of Rs. 1 crore has been made.

**MODEL VILLAGES**

57. The State Government has taken up a new initiative for development of villages called SWASTHI Gram Yojana. *Swasthi also* stands for Soil, Water, Sanitation, Trees, Housing and Infrastructure

all of which are necessary elements in the life of healthy, prosperou and progressive villages. The scheme will be implemented with th active participation of village communities, the corporate sector, an the representatives of the Panchayat Raj Institutions. Governmen will act as a facilitator. The villages undertaken under SWASTH would be turned into model villages. In the year 1997-98, 100 mode villages will be cover under this scheme.

**AGRICULTURE**

58. I am happy to inform the House that the foodgrain productio for the year 1996-97 is anticipated to be a record 90 lakh tonnes a against 87.2 lakh tonnes during the year 1995-96. A target of 93.6 lakh tonnes has been set for 1997-98.

59. Karnataka has been a pioneer in taking up Water She Development Programmes. During the current year an area of 3974 hectares is being developed. It is envisaged to obtain sanction for tw more projects in 1997-98 with the assistance of the World Bank an the Overseas Development Agency.

60. The Government also proposes to promote use of certai implements such as paddy transplanter, weeder, sugarcane plante etc. The Government will also implement a scheme to promot improved methods of composting.

61. A Cabinet sub Committee under the Chairmanship of th Minister for Agriculture has been monitoring the implementation o the Agriculture Policy adopted in the State. The State Governmen has decided to participate in the equity in the Karnataka Agricultura Development Finance Company registered by the NABARD.

62. The Government has provided Rs. 2 crores for marke intervention to prevent distress sale of agricultural produce.

**HORTICULTURE**

63. The plan allocation for Horticulture sector has been stepped u from Rs. 13.23 crores in 1996-97 to Rs. 14.30 crores in 1997-98 About 7,000 hectares have been brought under Oil Palm Cultivatio

upto 1996-97 under Centrally Sponsored Schemes with 25 percent contribution from the State Government. A sum of Rs. 75 lakhs has been provided as State share for this scheme during 1997-98.

64. The building for a new Tissue Culture Laboratory to be established at Hulimavu in Bangalore District is almost ready. The Laboratory will become functional during 1997-98. Banana, Cardamom, Pine Apple plants developed in this Laboratory will be supplied to farmers all over the State.

65. Vanilla is the costliest spice in the world. The crop and its benefit, has not been properly exploited so far. It is proposed to implement a pilot project for Vanilla on 100 Hectares in Dakshina Kannada District during 1997-98. A sum of Rs. 33 lakhs has been provided in the Budget for the purpose.

66. It is proposed to start new scheme namely "Namma Mane Namma Thota" during 1997-98. Under this scheme small and Marginal Farmers will be encouraged to grow Horticulture crops in one or two acres. The scheme will be implemented in all Talukas of the State with 100 beneficiaries from each Taluk. Input subsidy will be provided to the farmers.

67. To encourage Push Cart Vegetable Vendors, it is proposed to start a new scheme "Jeevana Marga" under which Rs. 5,000 will be provided to each beneficiary. Rs. 3,000/- will be used for Push Cart and Rs. 2,000/- will be used as working capital deposit with HOPCOMS so that the vendor can get fresh vegetables from HOPCOMS everyday. An appropriate combination of subsidy from the Government and loan from the Commercial Banks will be devised for this scheme, which is proposed to be implemented in Bangalore initially.

68. The Karnataka State Horticultural Marketing Federation was registered in Oct. 1996. The Federation will play a very significant role in providing marketing facilities for horticulture produce. NCDC has given its in principle approval for Rs. 66 cores Integrated Marketing Infrastructure Project. We hope to get this project operationalised soon. The State has great potential in floriculture and the State Government shall promote it in a big way.

**CO-OPERATION AND AGRICULTURAL CREDIT**

69. The State Government is committed to enhancing the flow of credit to the farming sector through Co-operative sector. To help primary co-operatives to mobilise deposits which engage in Business Development Programme, it is proposed to give a one time grant of Rs. 50,000/- as incentive.

70. I am happy to inform Members that our short term co-operative credit structure, consisting of the Apex bank, the DCC Banks and the Primary Agricultural Co-operative Societies has done commendable work. During the year 1995-96, their target for short term agricultural lending was Rs. 250.00 crores against which they have recorded an achievement of Rs. 450.68 crores, an increase of Rs. 48.51% over the previous year. Similarly, during the current year, as against their target of Rs. 350.00 crores, the achievement is already Rs. 425.16 crores. For the next year their target is Rs. 575.00 crores which I am sure would be surpassed. Our goal is to reach a level of agricultural lending of Rs. 1,000.00 crores for the year 2001.

71. Under long term agricultural credit, it is expected that there will be a disbursement of Rs. 160 crores in the current year. During 1997-98, the development action plan of KASCARD Bank envisages a lending target of Rs. 250 crores.

**ANIMAL HUSBANDRY, DAIRY DEVELOPMENT AND FISHERIES.**

72. 95% of the livestock in the State have been provided coverage. In the current year 100 new primary veterinary centres and 100 new veterinary dispensaries have been sanctioned by which the State would achieve 100% health coverage for livestock. Karnataka will be the first state to achieve this.

73. To provide infrastructure facilities to the Fishermen of coastal districts construction of fish landing jetties will be taken up at Alvekodi and Belikeri. The wharfs at Mangalore and Karwar fishing harbours will be extended. In order to improve the socio-economic conditions of the fishermen of the coastal districts it is proposed to implement the Integrated Marine Fisheries Project with NCDC

assistance at a total cost of Rs. 23.24 crores. This will provide improved fishing boats, nets and other equipments to the traditional fishermen in Uttara Kannada and Dakshina Kannada.

**IRRIGATION**

74. During the VIII Five Year Plan 2.24 lakh hectares of irrigation potential has been created under the major and medium irrigation projects. The State Government attaches highest priority to the completion of the projects in the Krishna and Kaveri basins. The State continues its strong commitment to the cause of Irrigation by providing Rs. 1120 crores for Major and Medium Irrigation and Rs. 92.96 crores for Minor Irrigation in the plan during 1997-98.

75. The Krishna Bhagya Jal Nigam has raised Rs. 509 crores in 1996-97. It is expected that Krishna Bhagya Jal Nigam would raise another Rs. 650 crores in 1997-98. The amount spent on this project in 1996-97 (upto January) is Rs. 466 crores. By the end of the year this figure is likely to reach Rs. 700 crores. The work on Rehabilitation and re-settlement of the Project affected families has been taken up on a war-footing and Rs. 88 crores has been spent by the Government during 1996-97. The state will make its best effort to utilise the share of Krishna water under the Bachawat Award.

76. In the Kaveri Basin, Government is determined to complete the works on Harangi, Hemavathy, Kabini, Arkavathy, modernisation of KRS, D.Devaraj Urs Canal and other medium projects expeditiously. During 1997-98 an outlay (non-plan) of Rs. 305 crores is provided for in the Kaveri Basin.

77. Of the 6 Medium and 88 Minor Irrigation Schemes for which RIDF - I loan assistance of Rs. 143.92 crores is available, 10 minor Irrigation Schemes have already been completed and the others are under various stages of implementation. Under the RIDF-II scheme, NABARD has sanctioned a loan of Rs. 50 crores for completing the Bennithora project in Gulbarga District. In addition, two barrages in Belgaum District and one barrage in Bijapur District will also be constructed under the RIDF-II scheme.

**ENERGY**

78. The monsoons have disappointed us again this year in the catchment areas of the hydel power generating units. Generation of power from our hydel sources has decreased by nearly 28 percent over the last year and the total power availability despite Raichur Thermal Power Station operating at Plant Load Factor as high a 75 percent has remained static. The fall in hydel generation has increased the cost of purchase of power, straining the system further. The tariff hike has not been able to cope with these increases. As a result new works for improvements in the transmission system have suffered.

79. In the area of private investment in the power sector I wish to inform the House that Power Purchase Agreements for small multifuel projects of upto 600 MWs power have been finalised. Power Purchase Agreements for the four Barge Mounted Power Plants have also been signed. Other projects for which MOUs have already been signed are being vigorously pursued. The Central Government has agreed to give a counter-guarantee to the 1000 MW power plant proposed to be set up by the Mangalore Power Company near Mangalore. The Central Electrical Authority has given techno-economic clearance to the project. All environmental concerns are being addressed by incorporation of special equipment in the plant to take care of even the remotest possibility of environmental degradation.

80. The work on the RTPS project is in full swing and one of the two unit will be commissioned by September, 1999. We are the first in the country to take effective steps to set up a Joint Venture Company (JVC) for the transmission of power. For sustaining these activities a fresh power Sector policy for the state has been announced.

81. The efforts made during the last year have not gone unnoticed by international financial institutions. Both the World Bank and the Asian Development Bank have visited Karnataka and have expressed keen interest in the reforms process initiated by us. They have shown willingness to contribute funds to commence and complete certain essential projects and to help accelerate the reforms process.

**EDUCATION**

82. Karnataka's effort in the field of Primary Education, especially for the girl child has been substantial during the 8th Plan Period. I have already outlined the achievements in this regard. During 1996-97, itself we

- have recruited 18,000 Primary School Teachers and taken action to recruit 2,500 Secondary School Teachers,
- started 873 Government Lower Primary Schools and upgraded 978 Lower Primary Schools as Higher Primary Schools.
- provided 1 lakh SC/ST girls studying in Classes 5 to 7 with a school bag.
- started 237 Government High Schools, upgraded 60 Government High Schools as Composite Junior Colleges and taken action to recruit 534 Head Masters of High Schools, 732 Lecturers in Collegiate Education and 864 Lecturers in Government Pre-University Colleges.
- Taken steps to regularise the services of 1900 part-time Lecturers in Collegiate Education Department and have extended the free reimbursement facility to the Anglo-Indian Community students studying in Pre-University Colleges and Technical Education Institutions.

83. The District Primary Education Programme (DPEP) will be expanded to cover six more districts of Bangalore (rural), Mysore, Bellary, Bidar, Gulbarga and Bijapur at an estimated cost of Rs. 240 crores.

84. During 1997-98, the following steps are proposed to be taken:

- recruit 18,500 more primary school teachers;
- complete 5,000 class rooms presently under construction.
- construct 6,000 new classrooms during the year, in addition to 4,000 class rooms which will be constructed to commemorate fifty years of our Independence.

85. Two new Government Polytechnics and 10 new courses at existing Government Polytechnics will be started in 1997-98.

**HEALTH**

86. The regular school health check up scheme started by us in 1996 has met with great success and the coverage now is 40 lakhs children from Class I to IV. The CM's Relief Fund which was pioneered by Karnataka in 1995 has now been adopted as the model for the National Illness Association Fund for helping the poor for treatment of major and terminal illness involving large expenses.

87. The Karnataka Medical College at Hubli and Government Medical College at Bellary with their attached hospitals have been given fully functional autonomous status. A sum of Rs. 20 crores has been allocated for providing teaching & paramedical staff as also the necessary equipment in the Government Medical colleges and the autonomous institutions of KIMS Hubli and VIMS Bellary.

88. The state Government is implementing the World Bank Aided Karnataka Health Systems Development Project which will strengthen the district hospitals and the rural health institutions. It is expected that Rs. 45 crores would be spent on this project in 1997-98. The agreement with KFW (German Development Bank) for rehabilitation and upgradation of 26 Rural Secondary Level Health facilities in Gulbarga Revenue Division has been finalised. In addition an OPEC assisted Rs. 29.25 crores project for the upgradation of the District Hospital at Raichur is being implemented. A new 350 bedded hospital, focussing on women and child health will be added.

89. To provide free special health care to the SC/ST population in the rural areas, a Yellow Card Scheme is already being implemented. In the year 1997-98, our Government will introduce a special health programme for the SC/ST women which is aimed at providing additional nutrition and other health care facilties during their first pregnancy. A sum of Rs. 1 crore has been provided for this purpose.

**COMMERCE & INDUSTRIES**

90. A new Industrial Policy was brought into force from 1st April 1996. The thrust of the policy has been on strengthening and

improving infrastructural facilities for the industrial sector. Our effort to occupy a pre-eminent position in the industrial map of India was further strengthened during the 1996-97. 20 Major projects with a total investment of Rs. 6577.75 crores, 92 large and medium industries with a total investment of Rs. 1122.24 crores and 8969 Small Scale Industries with an investment of Rs. 229.09 crores were approved during this period.

91. I am happy to inform the members that Karnataka has been the first State in India to complete the Centrally Assisted Export Promotion Industrial Park Project. Similarly the first phase of the International Technology Park is nearing completion and would be soon ready for occupation.

92. The State Government has formulated a special package of reliefs and assistance for the revival of sick SSI Units.

93. The following new schemes are proposed during 1997-98 :

- Small Industry Assistance Centres will be set up in all major industrial areas and industrial estates to serve as a "one stop service "to assist industrialists and entrepreneurs in obtaining clearance from various Government departments and agencies.

- Improvement and maintenance of infrastructural facilities including proper approach roads/access roads in all major industrial areas/industrial estates will be taken up progressively through the Karnataka Industrial Area Development Board.

- Two new Science and Technology Entrepreneurs Park will be established at Hassan and Hubli.

- Comprehensive infrastructural facilities will be created in Hubli-Dharwad area to facilitate the growth of the textile industry.

- Establishment of a centre of the National Institute of Fashion Technology at Bangalore.

94. Bangalore has emerged as the "Silicon Valley", of the country. There is a need to build up our skill base to support the growth of information technology industry both in qualitative and quantitative terms. The State Government has therefore requested the Centre to establish an Institute of Information Technology at Bangalore. It is hoped that the Central Government will help us set up this Institute during the financial year 1997-98.

**WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES**

95. Our Government has taken a path breaking approach for the uplift of the Scheduled Castes and Scheduled Tribes by concentrating efforts in four main areas - Education, Housing, Minor Irrigation and slum improvement. In 1996-97, about Rs. 118 crore was pooled from such departments which were not able to show progress in utilisation of the SCP/TSP funds. To avoid the delay the Govt. has decided to indicate the level of pooling of SCP/TSP funds now itself. This will help in better utilisation of the SCP/TSP funds. In case the utilisation of SCP/TSP funds left with the administrative departments is not satisfactory, further pooling may be considered in the course of the year.

96. Members would be happy to note that during the 8th Five Year plan 416 hostels and 61 residential schools for SC/STs have been set up. In the same period the expenditure on the upliftment of SC/STs has been about Rs. 1741 crores on both plan and non-plan side.

97. In the last year itself the Government has sanctioned 50 hostels with a strength of 2500. The strength of the existing hostels has been enhanced to accomodate 5000 additional students. In 1996-97, 47 hostel buildings have been completed and 44 hostel buildings have reached an advanced stage of construction. The Government has enhanced the boarding charges in the hostels by Rs. 100 per student per month. To cater to the requirements of the students from among the most deprived sections of the society, 40 Morarji Desai Residential Schools have been sanctioned. A housing programme to cover 87,500 families in the 1996-97 series has been chalked out. 38,000 houses have been actually completed and the balance of the houses will be completed in the next 2-3 months. Under the Ganga Kalyana scheme and the individual irrigation borewells scheme 3,300 borewells have been drilled benefitting 4,000 families.

98. In the year 1997-98 the Government proposes to take up the following measures for the welfare of SCs and STs.

- Construct 80,000 houses for SCs and STs (35,000 of this will be Ambedkar Houses). The Ambedkar Housing Scheme will be extended to the STs also.
- provide irrigation facilities for 20,000 acres of lands owned by SCs and STs under the Ganga Kalyana Programme.
- start 50 pre-matric and 25 post-matric hostels for this, 50% will be for girl students).
- complete 75 hostel buildings which are under construction and to take up construction of another 75 hostel buildings.
- start 40 Morarji Desai Residential schools of which 2 will be started in ITDP areas.
- train 5,000 SC/ST youths under the Navachetana programme.
- Start a Career Counselling Cell in the Ambedkar Research Institute to help SC/ST youths in career selection.

**KARNATAKA SC/ST DEVELOPMENT CORPORATION**

99. During 1996-67 the Corporation has assisted 26.500 Scheduled Castes and 4,5000 Scheduled Tribes beneficiaries. Rs.30.94 crores were distributed as subsidy and Rs.12.92 crores were disbursed as margin money. 13,702 SC/ST beneficiaries were assisted under the self employment programme and 900 beneficiaries were trained in the vocational courses.

100. In 1997-98 it is expected that 52,000 persons will be assisted under the various programmes of the Corporation. In addition to the departments budget, the availability of funds will be supplemented through the pooling of SCP and TSP funds.

**DEVELOPMENT OF BACKWARD CLASSES AND MINORITIES**

101. Our Government is equally committed to the uplift and welfare of the Backward Classes and the Minorities. During 1996-97, 72

hostels were sanctioned. 22 hostel buildings were completed and 30 new hostel buildings were taken up for construction. 9 Morarji Desai Schools were sanctioned. Under the Bella Belaku scheme 950 most backward families in 27 villlages have been assisted. The Government has increased the boarding charges per month per student to bring it at the same level as in SC/ST hostels. From the year 1997-98, food grains will be supplied at the PDS rates to these hostels.

102. During 1997-98 50 hostels will be set up Construction of 63 hostels will be completed and 26 hostels will be taken up for construction.

**KARNATAKA BACKWARD CLASSES DEVELOPMENT CORPORATION**

103. During the current year the Corporation will have assisted 15000 persons under various schemes of the Corporation. The total loan disbursed through the Corporation in 1996-97 will be about Rs.26 crores. Under the Ganga Kalyana scheme 658 acres of land have been brought under irrigation. During 1997-98 the Corporation will raise a loan of Rs. 58 crores from the National Backward Classes Finance and Development Corporation for setting up 8000 dairy units and 8200 other activities. In addition, about 1000 persons will be trained in various job oriented schemes.

**KARNATAKA MINORITES DEVELOPMENT CORPORATION.**

104. During 1996-97 the Corporation will have assisted about 8000 persons under various schemes of the Corporation. In 1997-98 the Corporation proposes to raise a loan of Rs. 10 crores from the National Minorities Development and Finance Corporation and will assit 10,000 persons under the various schemes being implemented by the Corporation.

**DEVELOPMENT OF WOMEN AND CHILDREN**

105. In keeping with Government's commitment towards the development of Women and Children the expenditure on this sector is likely to be Rs. 334.54 crores during the 8th Plan period against a

target of Rs. 303.50 crores. During this period 43 ICDS projects and 2335 additional Angawadis under the Centrally Sponsored Schemes and 3413 Anganwadi Centres under the State Schemes were sanctioned.

106. Our expenditure on nutrition has seen a sharp increase over the past 5 years. While the expenditure on nutrition was Rs. 30 crores in 1992-93, the projected figure of 1997-98 is Rs. 80 crores.

107. In the last year's Budget Speech, I had mentioned about some new schemes for women. Adequate funds to start the State Resource Centre for the women have been released. The scheme for all women markets VIKASINI is being implemented and Rs. 30 lakhs has been released to the Districts to set up 600 kiosks.

The scheme Namma Magalu Namma Shakti has been operationalised through the LIC. A sum of Rs.2500 will be invested in the name of Girl Child. The scheme will help in removing discrimination against the girl child in our society. The path breaking Mahila Abhivrudhi Yojana has started yielding results and during the year 1996-97 around Rs. 190 crore was earmarked in the various beneficiary oriented schemes.

108. The agreements for the Women Economic Development and Empowerment Programme has been signed by the state and the world Bank. In a span of 5 years a sum of Rs. 39.15 crores would be spent in 4 districts of Kolar, Tumkur, Bellary and Chitradurga. The scheme will benefit 24000 women during the Ninth Plan period. The Mahila Arthika Swalambana Programme covering another four districts and amounting to Rs. 12 cores in the IX Plan period would benefit another 12000 women.

109 The Govt. proposes to take up the following new schemes in this sector:

- start an Awareness Programme on child labour and link this with the rehabilitation programme.
- Arunodaya: women covered under th ICDS programme and who are landless agricultural labourers/marginal farmers will be assisted in purchasing land upto 2 acres.

- Navachetana : widows will be assisted for setting up income generating activities.
- Jagruthi : This will be a scheme for promoting awareness of health, hygiene, nutrition, family welfare, child care and home management amongst the adolescent girls.
- Udyogini :Under this scheme the women will be assisted in setting up business and trading activites.

**DISABLED WELFARE**

110. Under the Adhara scheme about 1000 beneficiaries would be covered in the State in 1996-67. The Government proposes to continue this programme during the IX Plan period. During 1996-97 about Rs. 50 Lakhs would be utilised for providing tricycles to the needy persons. The State Government has enhanced the diet charges for the disabled children studying Grant-in-aid institutions from the existing level of Rs. 60 per candidate per month of Rs.300 per candidate per month.

**HOUSING**

111. This sector has been our priority during the 18th Five Year Plan period. During this period 2,88,955 houses were completed. Of these, over 1,55,000 were completed in the last two years. Further, about 90,000 houses are under various stage of construction. Totally a sum of Rs. 515 crores would be spent for this purpose during the Eighth Plan period.

112. Members are aware that as per the survey conducted in 1995 there are 7.81,816 houseless and 11.52,188 siteless persons in the State. A major thrust needs to be given to provide shelter to these people. In the Ninth Five Year Plan it is envisaged to distribute 5,00,000 sites (1,00,000 sites every year) and construct 6,00,000 houses (approximately 1.20 lakh houses annually) under various schemes in rural areas. Similarly 2,50,000 sites will be distributed and 175000 houses will be constructed in the urban areas for the Economically Weaker Sections in the Ninth Plan period.

113. With that objective, the Government has made adequate allocations in 1997-98 to distribute 100 000 sites in rural areas, 50 000 sites in urban areas and to construct 120 000 houses in rural areas and 35,000 houses in urban areas. In addition 10.000 houses will be covered under the Neralina Bhagya scheme in 1997-98. The scheme details are as below :

| RURAL | | URBAN | |
|---|---|---|---|
| Ashraya | 40,000 | Ashraya | 25,000 |
| Ambedkar | 25,000 | Ambedkar | 10,000 |
| Indira Awas Yojana | 55,000 | | |
| Total | 120,000 | | 35,000 |

**SLUM IMPROVEMENT**

114. Members would be happy to note that the Government of India has given an additional thrust in the area of slum improvement and the State has received an amount of Rs. 12.64 crores for slum improvement. The State budgetary support for Slum improvement has been increased from Rs.10 crores in 1996-97 to Rs. 18 crores in 1997-98. In addition, the Karnataka Slum Clearance Board has been able to obtain approval for Rs. 13.8 crores for 45 schemes from HUDCO for construction of houses for the slum dwellers.

115. The Social Welfare Department has allocated Rs.13.78 crores from its pooled funds for taking up construction of houses for the SCs/STs in the slum areas.

**URBAN DEVELOPMENT**

116. Government proposes to bring in Comprehensive Amendments to Karnataka Municipalities Act and Karnataka Corporations Act in order to improve the resource base of Urban Local Bodies in the State. Similarly, the Urban Development authorities Acts will be amended to improve their resource base. Government would welcome suggestions from the members regarding practical measures for improving resources base of the Urban Local Bodies. Government

proposes to bring in the concept of Impact Tax on the new developments in the urban areas. A study will be taken up to recommend measures required for institutional strengthening for the development of Bangalore. Necessary provision for this purpose has been made.

117. Our Government is also proposing to bring a Comprehensive Scheme for Rehabilitation of Manual Scavengers in all the urban areas of the State in the light of Central Legislation which has become operative from 26-1-1997.

118. I am happy to inform the House that for the Mass Rapid Elevated Rail Transit System for Bangalore City the initial agreement has been signed with the consortium.

119. In view of the problems being faced by our Urban local bodies in providing drinking water to the people, Government has revised the funding pattern thereby enhancing Government's commitment for these projects. I would also urge the Urban Local Bodies that from the enhanced devolution being given to them from 1997-98 onwards they should meet their financial obligations towards the ongoing projects.

120. Government has posed projects for urban water supply and sanitation of OECF and World Bank and is confident to getting the aid. Another project for an aid of 150 million Dollars for capacity building and for solid waste management in our Towns and Cities is being posed to the World Bank. This will include a study component for the strengthening of institutional and regulatory structure for urban management for Bangalore Metropolitan region also. The Government has provided a sum of Rs. 20 lakhs for preparation of shelf of projects to be posed to the international funding agencies for improvement of towns and cities in the State.

**ROADS AND BRIDGES**

121. During the Eighth Plan an amount of Rs. 273 crores has been spent and a length of 3972 km of state roads have been asphalted and other improvement works have been carried out. A total of 154 bridges have been built. The Ankola-Hubli Highway of 132 km has been improved and 366 bridges/culverts have been built on this Highway.

122. Though we have concentrated on the laying of new roads in a big way, our attention towards the maintenance has hitherto been comparatively less. I have already dealt with some of the measures taken for improvement of the roads in Karnataka. In addition, I would like to inform the Members that the Government has decided to amend the State Highways Act on the lines of the Amendment done in the National Highways Act, to enable private investors to make improvements. On making improvements the investor will be entitled to collect toll and regulate traffic on the road for such period as agreed to at the time of entering into an agreement. Our Government expects that more entrepreneurs will evince interest in taking up improvement of some of the road projects. The Road Policy for the State will be shortly announced.

123. Keeping in view the urgent requirement to develop and improve the roads in Karnataka the Government has posed a project of Rs. 900 crores to the World Bank. We are confident of getting this aid. Also, the State has sought NABARD assistance for improvement of rural roads. An assistance of Rs. 143 crores has been sanctioned by NABARD.

**POLICE AND FIRE STATIONS**

124. It is proposed to open 15 Police Stations. 3 Traffic Police Stations and 2 Women Police Stations in 1997-98. Also, it is proposed to open 15 more Fire Stations in the year 1997-98.

**FOREST**

125. In the 5 years about 2,67,400 hectares of land have been covered under afforestation. Due to these efforts the forest cover in Karnataka is reported to have increased by 183 Sq. kms.

126. The OECF aided "Karnataka Eastern Plains Forestry and Environment Project" with an estimated project cost of Rs. 566.55 crores has been started in 1996-97 and will be implemented in the 9th Plan period in 17 districts. The India Eco Development Project is proposed to be implemented in Nagarhole National Park at an estimated cost of Rs. 39.49 crores during the next five years.

**TOURISM**

127. A new Tourism Policy with an attractive package of incentives has been adopted. 49 Hotel Projects with an investment of Rs. 31.63 crores and 19 Mega Tourism projects with an investment of Rs. 467.10 crores were approved during 1996-67. The Government has released investment subsidy of approximately Rs. 189.79 Lakhs to 25 Hotel Projects. We have provided Rs. 2 crore in 1997-98 for taking up maintenance and development works in places of historical importance such as Hampi, Pattadakal etc. If need be, the Government will provide additional funds in the course of the year.

128. Talkaveri is the source of mother Kaveri which is the life line of Karnataka. Bhagmandala is a major pilgrimage centre attracting a large number of devotees through out the year. The State Government has decided to develop both these centres of religious and tourists interest and has provided an allocation of Rs. 50 lakhs for 1997-98.

**INFORMATION AND PUBLICITY**

129. For production of quality film and with a view to check the depiction of obscenity in Kannada film, the Kannada Film Academy has been constituted which will come into existence from the year 1997-98.

130. During the year 1996-97, an amount of Rs. 5.00 Lakhs has been released to 4 districts in order to produce an information video on the district.

**YOUTH SERVICES AND SPORTS**

131. For the purpose of the Fourth National Games, the Government has taken the construction of International Standard Infrastructure and has so far spent Rs. 75.45 crores. The Government of Karnataka has released Rs. 34.85 crores and the Government of India has released Rs. 8 crores for this purpose. All necessary efforts and arrangements are being made to make the games memorable event. An advanced swimming pool is being constructed in Chamundi Vihar, Mysore.

132. During the Ninth Plan Period, top priority of the Department would be to broad-base youth welfare activities and to lay emphasis on creation of Sports infrastructure at taluk level.

**KANNADA AND CULTURE**

133. The Government proposes to have the following activities for the year 1997-98.

- Organise District festivals in all the districts deposing the culture, art, literature and heritage of the districts.
- A Trust in the name of the Doyen of Hindustani Music late Dr. Mallikarjun Mansoor will be established.
- A suitable site for the Bangalore Branch of National Modern Art Gallery will be provided.
- Kannada version of the District Gazetteers will be published.
- Museums at Hoovina Hadagalli, Bellary Dist., Gadag in Dharwad District, Basava Kalyana in Bidar District and Gulbarga in Gulbarga Dist. will be opened.
- A'Kannada Bhavan' is being constructed to integrate the different agencies functioning for the development of Kannada.

**EMPLOYMENT, TRAINING AND LABOUR**

134. The relevance of the ITIs has become greater today as rapid industrialisation in the State would require skilled man power. In the State today there are 49 Government ITIs and 208 private ITIs. To help the private ITIs in providing quality training to candidates enrolled with them, the Government has decided to provide Grant-in-aid to the private ITIs. The Grant-in-aid code for them is under formulation and the Government has made a budget provision of Rs. 4.50 crores in 1997-98 for providing the required aid to the private ITIs.

135. The proposals for seeking external aid for modernisation of Government ITIs has also been sent to the Government of India. Some of the other important steps which Government proposes for 1997-98 are as follows:

- to commission 50 bedded ESI Hospital at Peenya and Bommasandra;
- to Commission full time dispensaries at Bharadavathi and Manchenahalli, Shimoga Dist. and Singasandra in Bangalore.
- to open 5 new ITI's.

**FOOD SUBSIDY**

136. I welcome the initiative of Government of India in introducing the Targeted Public Distribution System (TPDS) which be brought into effect shortly for all families below the poverty line. Our State has been implementing this scheme for the past several years and we shall be dove-tailing our scheme with the new scheme announced by Government of India. A sum of Rs. 160 crores has been provided in the Budget for 1997-98 towards Food Subsidy and Transportation.

**REVENUE ADMINISTRATION**

137. The State Government has taken a decision to form new districts for the providing better services and administration to the people of the State. For this purpose an allocation of Rs. 5 crores has been made and if required, the State Government will provide additional financial support in the course of the year.

**EXCISE POLICY**

138. It is widely recognised that the atmosphere in villages has been polluted due to the easy availability of arrack and proliferation of vendors on the rural scene. This is direct consequence of the present system of selling arrack through public auction which brings pressure on bidders to enhance sales. Our Government is committed to putting an end to this menace.

139. A Cabinet Sub-committee is going into the entire issue. We have visited States like Andhra Pradesh, Tamil Nadu, Kerala, Gujarat and Maharashtra to study the Excise Policy and the recent changes introduced in some of these States. The Sub-committee also assessed the ground reality prevalent as a result of these changes. Based upon

this study, the Government feels that as an immediate measure the present system of auctioning the right to sale of country liquor (arrack) should be stopped.

The details of an alternative scheme of sale of bottled arrack, coupled with a drastic reduction in the number of licensed arrack shops will be introduced from the coming Excise year. This alternative scheme would certainly reduce the easy availability of arrack as at present. Such a scheme would result in a reduction, in the Excise revenue, of about Rs. 150 crores in 1997-98. However, this would be a small price to pay for the general health of the public particularly in the rural areas.

140. In addition, to promote the values of temperance, I have provided Rs. 2 crores in the budget for taking up a publicity campaign on the evils of drinking.

141. The developmental programmes that I have so far outlined in the various Departments represent the vision that our Government has for the State. It is this vision that should take us forward in our path of progress. In order to sustain this vision and translate it into action it is necessary that revenues are raised. My tax proposals have however been tempered by the reality that the per capital level of taxation in Karnataka is already quite high. I have already mentioned the Impact Tax and the raising of water rates. These measures may be considered as rationalisation of user charges rather than as tax proposals. The Impact Tax is directed only at those who put additional strain on the already fragile infrastructure of Bangalore by putting up high rise complexes, commercial or residential. It is only fair that they would have to bear additional charges which the common man of Bangalore does not have to pay. Similarly, the increase in water rates is only meant to make the users pay at least partially for the water that is harnessed by heavy investment.

142. I now go to my tax proposals.

**COMMERCIAL TAXES**

143. Commercial Taxes continue to be the single largest source of

revenue to the state. In the current year, more than 68 per cent of the State's Own Tax Revenue is expected to come from Commercial Taxes.

144. We have to appreciate that taxation measures should not only be aimed at mobilisation of resources for the Government, but they should also promote Investment and Economic growth, with required emphasis on an improved income-distribution pattern.

145. With that objective, I have been attempting to make our taxation policy and procedures more and more progressive, transparent, scientific and rational.

146. These issues have been discussed in several national forums including the Conference of State Finance Ministers held at New Delhi in December 1995. That Conference had made the following major recommendations:-

i) Removal of multiplicity of levies;

ii) Reducing the number of tax rates to four general floor-rates (0,4,8 and 12) and two special floor-rates (1 and20);

iii) Removal of tax-related incentives for industrialisation; and

iv) Introduction of Value Added Tax (V.A.T).

147. I am convinced that the above steps are required to achieve an overall economic growth with social equity. India has ultimately got to become a single common market with free flow of movement of goods across the States. The taxation structure has to be simple enough and the tax rates reasonable.

148. In my last two Budgets, I had introduced several measures in this direction. The number of tax rates has progressively come down from 21 to 4. However, we still have a variety of levies. For example, under the Sales Tax, besides the Basic tax, we levy Surcharge, Turnover tax etc. This multiplicity of levies needs to be reduced.

149. To move towards the Value Added Taxation regime, we have to have a single levy on the goods, besides only a limited number of rates. Towards this end, I have held consultation with experts and

representatives of trade and industry and made a detailed review of the existing system of Karnataka as well as in neighbouring States.

150. As the outcome of these exercises, I propose to implement several measures which would simplify and rationalise the system. I now spell out the details.

**SALES TAX**

**ABOLITION OF SURCHARGE**

151. As I have stated earlier, at present there are four levies under the Karnataka Sales Tax Act. I propose to abolish the Surcharge. Although this will result in a loss of Rs. 150 crore, I consider it a relief to the common man and a significant step towards removal of multiplicity of levies and towards introduction of VAT. The loss of this revenue would be partly compensated by improved compliance of tax payment by the trading community and also by increasing the tax rates on a few commodities burden of which will fall on the section of the society which can bear it. The details are given in later paragraphs.

**COMPOSITION SCHEME**

152(a) For dealers whose total turnover does not exceed Rs. 5 lakh in a year.

Dealers in this category are proposed to be covered by a composition scheme under which they will have the option to pay only a small sum towards their sales tax liability, as follows:

| **Turnover** | **Composition Amount** |
|---|---|
| Upto Rs. 3 lakh | Rs.1,500 |
| Between Rs.3 lakh and Rs. 5 lakh | Rs. 1,500 plus 2% of the turnover exceeding Rs.3 lakh. |

Except for purchase and sale accounts, the dealers who opt for the Composition Scheme will not the required to maintain any elaborate accounts. However, retail dealers in liquor and beer, dealers operating hotels, bars and restaurants and dealers purchasing goods

at concessional rates in the course of inter-State trade or commerce, are excluded from the purview of this scheme. This measure will simplify the process of tax collection from small dealers:

(b) For hoteliers and restauranteurs with total turnover of upto Rs. 50 lakh per annum:

There is, at present, a composition scheme for the owners of hotels and restaurants having a turnover of upto Rs.25 lakh per annum. The effective rate of tax paid by them ranges between 3.5 per cent to 5.6 percent. I propose to replace this scheme by a simpler alternative. Owners of hotels and restaurants with an annual turnover of upto Rs. 50 lakh would henceforth have the option to pay sales tax at a uniform compounded rate of 4 percent of their total turnover.

(c) For dealers executing works contracts:

The existing composition scheme prescribes differential tax rates at 2 percent, 4 percent and 8 percent for different types of works contracts. A contract normally involves civil, electrical, fabrication and other variety of tasks. To save on tax liability, the contractors enter into a variety of contracts. which leads to complexity of accounts. There is also a scope for tax evasion, in the process. To take care of these twin problems, I propose to replace the existing differential composition rates by a uniform composition rate of 4 percent applicable to all types of works contracts.

153. The provisions relating to composition scheme, as existed prior to 1996, are often mis-interpreted seeking to provide for deduction of labour component also. Therefore, I propose to make retrospective amendment to the relevant provisions to safeguard revenue and to remove any scope for mis-interpretations.

**SUMMARY ASSESSMENT SCHEME**

154. I propose to make the summary-assessment scheme more popular in the following ways:-

a) Turnover limit for eligibility to summary-assessment would be raised from Rs. 10 lakh to Rs. 25 lakh p.a.:

b) Certain conditions attached to the scheme would be relaxed; and

c) Time limit for furnishing supporting documents would be enhanced to six months.

**TAX EXEMPTIONS**

155. To give fillip to the agricultural sector, I propose to exempt the sales tax on fertiliser. Turnover Tax and CST (at 2%) will, however, continue.

156. To encourage the handloom sector, I propose to exempt the sales tax payable on sale of hank yarn to the Karnataka Handloom Development Corporation and to the Handloom Weaver's Cooperative Societies and Federation.

157. Sales made by the Women Entrepreneurs under the Development of Women and Children in Rural Areas (DWCRA) programme, are proposed to be given exemption from sales tax.

158. I also propose to exempt the following goods from levy of sales tax:-

a) Dried grapes (raisins);

b) Sale of Skimmed milk powder by the KMF to its Milk Unions, and from and one Milk Union to another; and

c) Fodder (i.e. hay, green or dried).

159. Tax exemption granted in the previous years for specified Life Saving Drugs and Human Growth Hormones is proposed to be continued.

**RELIEFS AND RATIONALISATION OF TAX RATES**

160. As a measure of rationalisation and to give relief to certain sectors of the trade and industry I propose to reduce the tax rates on the following:-

i) On transformers, conductors, furnace Oil, LSHS, lubricants and diesel, used by the power projects and for captive power generation, from 12/20 per cent to per cent;

ii) On agarbathi, from 8 per cent to 4 per cent;

iii) On Exim-scrips/REP licences and the like, from 12 percent to 4 percent;

iv) On certain electronic goods which are prone to trade diversion, from 8 per cent to 4 percent;

v) On coffee seeds (raw or roasted), from 6 per cent to 4 percent. However, traders in Coffee will now be liable to pay the T.O.T.;

vi) On all kinds of scraps, a uniform rate of tax at 4 percent, as against the existing differential levies of 4,8 and 12 percent;

vii) On auto-rickshaws (three wheelers), from 6 percent to 4 per cent, to benefit the persons, particularly in mofussil areas, taking up self-employment of operating auto-rickshaws.

161. The trade bodies representing Vanaspathi, Non-Edible Oils, Cashew-Shell Oil and Stainless-Steel Utensils have made a strong plea to reduce the tax rates and assured me that the revenue would go up if the tax rates were lowered. I propose to accept their logic as an experiment and reduce the tax rates on these items for one year, as follows:-

a) All edible and non-edible vegetable oils, refined as well as non-refined, and vanaspathi will now carry a tax rate of 2 per cent and TOT exemption.

b) Stainless-steel domestic utensils will be liable for tax at 4 percent, against 8 per cent as at present.

**INCREASE IN TAX RATES**

162. I propose to increase the tax rates on the following:

(i) On Gutkha and other tabacco products, from 8 per cent to 20 per cent;

(ii) On Indian Made Liquor, from 50 per cent to 60 per cent, and on Beer, from 50 per cent to 55 per cent;

(iii) On cement, from 12 to 15 per cent;

(iv) On rectified spirit, from 12 to 20 percent;

(v) On articles of food and drink catered in Star Hotels, from 12 per cent to 20 per cent;

(vi) On articles of food and drink (other than those catered in Star Hotels), from 4 per cent to 8 per cent. However, as I have already announced, hotels with total turnover upto Rs. 50 lakh in a year, are being offered a composition tax rate of only 4 per cent;

(vii) Liquor including beer sold to Canteen Stores Department are tax-exempt now. I propose to tax them at a low rate of 4 per cent;

(viii) At present inter-oil company sales of petrol, diesel and a few other items are exempt from tax and the levy of tax is prescribed on sales effected by oil companies to dealers. I propose to extend this measure to inter-oil company sales of all the other petroleum products also.

163. I propose to effect tax -rate adjustment in respect of a few other commodities too, the details of which are in Annexure-II.

**REGISTRATION**

154. The fee for new registration and for renewal of registration has been prescribed as Rs. 250 in the year 1985. I propose to increase this to Rs. 500.

165. For liquor dealers and jewellers, I propose to prescribe compulsory registration, irrespective of their total turnover.

**RATIONALISATION OF TURNOVER TAX**

166. I propose to rationalise the tax rates for levy of Turnover Tax. The differential rates as of now are at 1 per cent, 1.25 per cent, 1.75 per cent and 2.75 per cent. I propose to replace them by 3 tax rates of 1 per cent, 2 per cent and 3 per cent. Dealers having annual turnover of upto Rs. 15 lakh shall henceforth be exempted from T.O.T Dealers with turnover between Rs. 15 lakh and Rs. 5 crore would be levied a T.O.T. at 1 percent between Rs. 5 crore and Rs. 10 crores at 2 percent and above Rs. 10 crore at 3 per cent. The exemption available for initial Rs. 10 lakh turnover is being withdrawn.

167. The rate of Turnover tax at 1 percent, applicable to turnovers relating to second and subsequent dealer, is proposed to be continued.

168. Details of the rationalisation measures relating to sales tax are furnished in Annexure-II.

**ENTRY TAX**

169. I propose to reduce the entry tax on Sugar from 2 per cent to 1 per cent, and to introduce provisions for the Sugar factories themselves to effect source deduction of entry tax.

170. Matching with the KST rate, I propose to reduce the entry tax on three-wheeler motor vehicles from 6 per cent to 40 per cent.

171. Entry Tax on cigarette and other tabacco products will be raised from 2 per cent to 4 per cent.

172. To protect the legitimate sales-tax revenue, I propose to levy tax ranging from 2 per cent to 4 per cent, as a balancing levy on specified goods, on their entry into a local area from out-side the State, for consumption or use only. However, such goods, when they enter into a local area for sale, will not be liable to Entry tax.

173. I propose to exclude Rectified spirit, Denatured spirit and Crude oil from the concessional rate of tax applicable when used as Raw material and levy tax at 4 per cent on Rectified spirit and Denatured spirit and continue the rate of tax at 2 percent on Crude Oil

174. Details of the changes are furnished in Annexure- III.

175. I also propose to increase the rate of interest on delayed refunds from 9 percent to 12 per cent per annum.

**ENTERTAINMENT TAX**

**DEFINITION OF 'ENTERTAINMENT' TO BE ENLARGED**

176. Bangalore was the venue for the recently held World Beauty Pageant. International games and sports like the recent W.W.F and various types of amusements are also organised in Bangalore.

Although admission rates charged for such shows and games were, in most cases, quite high, the State did not derive any revenue, as the same were not covered under the definition of entertainment. I, therefore, propose to enlarge the definition of 'entertainment' to include such amusements, performances, sports, games etc. and prescribe a levy of entertainment tax at 10 per cent, where charges for admission per person per show are Rs. 100 or more. For recognised sports, this lower limit would be Rs. 250.

**REINTRODUCTION OF SEALING SYSTEM FOR CINEMA THEATRES**

177. The existing scheme of composition for payment of entertainments tax applicable to all the cinema theatres, which was introduced effective from 27-9-1994, has led to substantial loss of revenue, which was otherwise realisable under the sealing system. It was also the recommendation of the Subba Rao Committee that the general composition scheme extended to all the cinema theatres be reviewed after 2 years. Therefore, I propose to re-introduce ticket sealing system for all the cinema theatres located in towns and cities with population of more than 50,000. Hundred per cent tax exemption extended from 1-4-1996 to Kannada, Kodava, Konkani and Tulu films produced in the State would, however, be continued for 1997-98 also. Cinema theatres situated in areas with population not exceeding 50,000 would continue to have the option to pay tax either at compounded rates or under the ticket sealing system.

**AGRICULTURAL INCOME TAX**

179. In keeping with the progressive measures pursued by us, I propose to enhance the exemption limit for the individual assessees from Rs. 30,000 per annum to Rs. 40,000 per annum. I also propose to reduce the rate of tax in respect of individual assessees from 45 percent to 40 percent and in respect of company assessees from 60 percent to 50 percent. Details are furnished in Annexure-IV. With this, the A.I.T. rates in Karnataka would be lowest among all states.

180. I also propose to withdraw the Investment Deposit Scheme introduced since April 1995, since it has not got the expected

response from the assessees and its operation involves procedural complexities.

181. Consequent upon introduction of free sale quota, the Coffee growers are themselves taking up marketing of the cured coffee. Therefore, I propose to introduce provisions for maintenance of books of accounts by the assessees owing above 50 acres of land.

182. I propose to increase the interest rate on delayed refunds from the existing 4 per cent to 12 per cent per annum.

183. Certain other provisions of the Act for deemed assessments as in the KST Act 1957, assessments of back-pool payments received after dis-continuance of business, recovery of arrears of tax, etc. are proposed to be introduced/streamlined.

**PROFESSIONS TAX**

**RELIEF TO SALARIED CLASS**

184. Persons earning salary/wage of Rs. 1,500 and upwards per month are presently liable to payment of profession tax. I propose to enhance this exemption limit to the level of Rs. 3,000 p.m. and also provide some relief for salary/wage earners, earning upto Rs. 10,000 per month.

**RATIONALISATION OF TAX RATES**

185. For professionals, other than salaried employees, we have got 18 differential tax rates ranging from Rs. 110 to Rs. 2,500 per annum. As a rationalisation measure, I propose to reduce this number to 7, at Rs. 300, Rs. 600, Rs. 900, Rs. 1,200, Rs. 1,500, Rs. 1,800 and Rs. 2,500 p.a.

186. Details are furnished in Annexure-V.

**BETTING TAX**

187. Totalizator tax payable for 1997-98 at compounded rate by Bangalore Turf Club is proposed to be fixed at Rs. 600 crore (as against Rs. 2.75 crore for 1996-97) and by Mysore Race Club at Rs. 20 lakh (as against Rs. 16 lakh for 1996-97).

188. The rates of betting tax applicable to bookmakers are proposed to be reduced from 20 percent to 15 percent for on-course betting and from 15 percent to 10 percent for off-course betting, to achieve improved tax compliance.

189. I also propose to introduce amendments in the Betting Tax Act to provide for inspections and for pursuant proceedings relating to assesements, re-assessments, recoveries, etc.

**LUXURY TAX**

190. Consumption of cigarettes, though injurious to health, has become a luxurious habit for many. I propose to introduce a new levy of luxury tax at 4 percent, on cigarettes and other tobacco products. However, Cigarettes and other tobacco products will henceforth be subjected to either Luxury Tax or Entry Tax.

**LEGISLATIVE AND ADMINISTRATIVE MEASURES.**

191. To make the tax-system more effective and efficient, I propose to undertake several administrative and legislative measures. The details are as under :-

i) To reduce the time-limit for completion of assessments from 3 years to 2 years;

ii) To refix the penalties for offences and contraventions contemplated in the various Acts;

iii) To prescribe time limit of 2 years from the date of initiation of the proceedings for reassessments or revision;

iv) To enhance the power of Commissioner to grant instalments in cases of tax arrears upto Rs. 25 lakh with a period of 24 montly instalments;

v) To empower the Commissioner to waive the penalties/ interest upto Rs. 5 lakh in deserving cases;

vi) To empower specified officers to purchase undervalued goods to combat malpractice of undervaluation of goods;

vii) To revise the pecuniary jurisdiction of assessing officers of different levels;

viii) To computerise the Check-posts under the Problem Areas Grants from the Tenth Finance Commission at a cost of Rs. 1.50 crore; and

ix) To review the existing notifications of tax concessions, for continuing or withdrawing them and for issue of fresh notifications wherever considered necessary.

**CONSEQUENTIAL ENACTMENTS**

192. The above measures will necessitate amendments to provisions of various tax enactments. These amendments, together with certain other changes required for administrative efficiency and effectiveness, will be placed before the House for consideration and approval.

**EXCISE**

193. I propose to revise the existing licence fee structure. These fees will be effective for the excise year 1997-98. This measure will yield an additional revenue of about 12.40 crores. The details are given in the Annexure-VI.

194. Presently, the excise duty structure for IML does not differentiate between premium brands and ordinary varieties. Therefore it is proposed to levy excise duty of Rs. 60/- per bulk litre for such of the Indian Made Liquours manufactured using molasses based spirit and blended with malt spirit or scotch whisky imported from outside India, irrespective of the percentage of such spirits used for blending or compounding, or liquor manufactured out of Malt Spirit.

195. At present, the permit fee is Rs. 25/- per permit. It is proposed to levy Rs. 100/- per permit.

196. Presently, the penalty leviable under Section 45A of the Excise Act for offences is a maximum of Rs. 5000/- per offence. It is felt that there should be a deterrent against excise offences. Hence, it is proposed to prescribe a minimum penalty amount of Rs. 5000/- per offence and maximum penalty amount of Rs. 25,000/- per offence.

197. The net additional resource mobilisation arising out of the above measures during the year 1997-98 is estimated at Rs. 20 crores.

**MOTOR VEHICLES TAX**

198. Introduction of Accident Relief Fund :

On the lines of Autorickshaw Driver's Accident Relief Fund, I propose to introduce Rs. 50,000/- Accident Relief Fund for drivers of Public Service Vehicles and Goods Carriages suffering death or permanent disability while driving. Nearly 2.15 lakhs drivers will be covered under this scheme.

199. Special Permit for Private Buses :

In order to give boost to the Tourism, the Government of Karnataka has amended the provision of Karnataka Contract Carriage (Acquisition) Act, 1976, to enable the private operators to obtain special permits. I, therefore, propose to levy separate rate of tax Rs. 600/- per seat per quarter under Karnataka Motor Vehicles Taxation Act, 1957.

200. Reduction of Tax in respect of vehicles owned by K.S.R.T.C. :

I propose to reduce the present rate of tax in respect of vehicles owned by K.S.R.T.C. from 12% on Gross Revenue from fares and freights to 8% and also to levy separate rate of tax on City Transport Service vehicles at 5%.

201. I propose to enhance tax in respect of two wheelers, motor cars, stage carriages, Maxicabs, Tourist vehicle and introduction of life time tax for Goods Carriages (delivery vans) of which weight laden does not exceed 1000 kgs. Omnibuses and private service vehicles having floor area of 4 sq. mtrs. and below. I also propose to grant exemption from payment of Life Time Tax for two and four wheelers owned by Central Government employees and Defence personnel and introduce annual rate of tax. It is proposed to levy Rs. 100/- per annum for two wheelers and Rs. 750/- per annum for motor cars.

202. The changes proposed are detailed at Annexure VII. On account of proposals mentioned above a net loss of revenue of Rs. 20.00 crores is anticipated.

**REGISTRATION AND STAMPS**

203. At present instrument of pawn, pledge or hypothecation of moveable property duty is being charged at 1%. However instrument of unattested pawn, pledge or hypothecation are exempted from payment of stamp duty. Keeping in view the growth in lending activities I propose to levy duty on all the instruments of pawn, pledge or hypothecation whether attested or unattested @ 0.25%, if the loan is repayable within 3 months and @ 0.50%, if the loan is repayable on demand or more than 3 months subject to a maximum of Rs. Two lakhs.

204. At present 6% stamp duty is being charged for the first sale of premises of Flat/Apartment executed by a promoter, land owner or developer by whatever name called. To give relief to persons purchasing smaller Flats/ Apartments, and also to rationalise duty structure I propose to levy :-

a) 4% duty upto Rs. Five lakhs value of property

b) 6% duty from above Rs. Five lakhs but below Rs. Fifteen lakhs value of property and,

c) 8% for Rs. Fifteen lakhs and above value of property.

205. At present instrument of leasing moveable property is not being charged under the Karnataka Stamp Act, 1957. I therefore propose to levy stamp duty of One Rupee for every hundred or part thereof on the average annual rent reserved where the lease purports to be for a term exceeding Ten years, One rupee and fifty paise for every hundred or part thereof on the average annual rent reserved where the lease purports to be for a term exceeding ten years subject to a maximum of Rs. Two lakhs.

206. At present 5% stamp duty is being charged on simple mortgage (mortgage without possession) on the amount secured. It is felt that payment of stamp duty on higher loan amounts is high, and therefore people are resorting to different methods to evade stamp duty. To prevent evasion and to encourages payment to stamp duty I propose to put a ceiling limit of Rs. Two lakhs fifty thousand on such instruments.

207. At present 5% stamp duty is being charged on the market value of the non agricultural property devided in partition deed. As the rate of duty is considered high I propose to fix a ceiling limit at Rs. Twenty five thousand only on such instruments.

208. At present agreement deed executed in favour of Promoter/ Developer authorising him for consturction or development or sale or transfer in any manner whatsoever of any immoveable property duty is being charged to 10% ad-valorem. I now propose to make it 6% and in pursuance of such duty paid agreement, if Power of Attorney is executed, I propose to levy duty in accordance with Art. 41(f) i.e., fixed duty to Rs. One hundred to encourage registration and also discourage evasion.

The changes proposed are detailed in Annexure VIII-A.

209. Securitisation is a new concept through which sizeable finance could flow to Industrial and Housing projects in the State. At present the state is not deriving any revenue from stamp duty on securitisation. Further there is no separate Article in the Karnataka Stamp Act, 1957, under which securitisation instruments fall. Therefore it has been interpreted as "conveyance" which attracts 10% stamp duty. This is quite high as the margin available on these transactions is very small. This is likely to hamper the growth of secondary debt market. In order to encourage House building and Industrial activities which have the potential to generate employment, I propose to reduce the duty applicable on securitisation instruments to 0.1% ad-valorem.

210. Registration fee levied on some of the Articles have not been revised since 1986. I propose to revise some of the Articles of Registration fee. The changes proposed are detailed in Annexure VIII-B.

**REVISED ESTIMATES 1996-97**

211. The revised estimates of total receipts are Rs.12138.69 crores as compared to budget estimates of Rs.12286.45 crores for 1996-97. The total expenditure is expected to be Rs. 12182.99 crores as per the revised estimates as against the budget estimates of Rs. 12339.15 crores for 1996-97. After taking into consideration the surplus in the

Public Account, the closing deficit for the year is likely to be Rs. 98.94 crores as against the expected deficit of Rs. 132.20 crores at the time of presentation of the 1996-97 budget.

**BUDGET ESTIMATES 1997-98**

212. The total receipts are expected to be Rs. 13644.77 crores comprising of revenue receipt of Rs. 11766.45 crores and capital receipts of Rs. 1878.32 crores. The total expenditure is estimated to be Rs. 13456.68 crores out of which the revenue expenditure will be Rs. 11965.45 crores and capital expenditure will be Rs.1491.23 crores.

213. Apart from the major tax revenues which I have already covered in my specch, the Government expects to raise Rs. 400 crores from small savings, Rs. 256.33 crores from market borrowings, Rs.186.80 crores from negotiated loans and Rs. 949.49 crores as total plan assistance from the Central Government.

214. With these estimates, an overall surplus of Rs. 188.09 crores is expected for the year. Taking into account the opening balance of (-)Rs. 98.94 crores, the closing balance as per the present rates of tax and non-tax revenue is estimated to be Rs. 89.15 crores. After considering the impact of various changes in tax policy, totalling to (-)Rs. 186 crores, the details of which are given in Annexure IX, the final closing balance for 1997-98 will (-)Rs. 96.85 crores.

215. I would like to assure the Members of the House that Government will not spare any efforts to make good this anticipated deficit by stricter enforcement to taxation measures and by elimination of unproductive expenditure during the year.

216. I now commend the Budget Estimates 1997-98 for the consideration and approval of the House. As the Subject Committees will scrutinise the budget and give their recommendations for consideration of the House, I seek a vote on Account for a period of six months ending September 30, 1997.

**Jai Hind - Jai Karnataka**